

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Rainey Analyst: Darrine Distefano Bill Number: SB 1427

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: 04-27-2000

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Employer Provided Public Transit Passes Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

X DEPARTMENT POSITION CHANGED TO No Position.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED 02-03-2000 STILL APPLIES.

X OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and Bank and Corporation Tax Law (B&CTL), this bill would allow a credit for either 10%, 20% or 40% of the cost paid or incurred by an employer for providing subsidized public transit passes to an employee.

SUMMARY OF AMENDMENTS

The April 27, 2000, amendments deleted the prior version's credit amount from a fixed 40% for providing subsidized public transit passes and added the following credit amounts:

- Forty percent, if the employer provides no free or subsidized parking.
- Twenty percent, if the employer provides subsidized parking.
- Ten percent, if the employer provides free parking.

The amendment makes the bill similar to prior state law, which was operative for taxable years beginning on or after January 1, 1989, and before January 1, 1996.

Except for the items discussed in this analysis, the remainder of the department's analysis of the bill as introduced February 3, 2000, still applies. A revised revenue estimate is provided below.

Board Position:

<u> </u> S	<u> </u> NA	<u> X </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> </u> PENDING

Legislative Director

Date

Johnnie Lou Rosas

5/11/00

Fiscal Impact

Tax Revenue Estimate

This bill is estimated to create revenue losses under the PITL and B&CTL as shown in the following table:

Fiscal Year Cash Flow Effective 1/1/00 Enactment Assumed After June 30, 2000 \$ Millions		
2000-01	2001-02	2002-03
-\$1.5	-\$1.5	-\$2

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Tax Revenue Discussion

The revenue impact of this bill will be determined by the number of employers that provide subsidized transit passes and the average amount of credit applied.

This revenue estimate reflects a change from the estimated \$2 million revenue loss under the bill as amended March 9, 2000. The amendment limits the credit to stated percentages based on the employer's treatment of parking for its employees.

The above estimates are based on actual state tax return data for the former transit pass tax credit, which was similar to the credit this bill would create. The total credit amount was grown from past usage rates to reflect 5% annual growth rate and cost changes in transit passes. The estimates used an average of 30% based on an examination of prior state tax return data, when the credit amounts were also 10%, 20% and 40%.

BOARD POSITION

No position.

At its March 27, 2000, meeting, the Franchise Tax Board took no position. Chair Kathleen Connell supported a motion to remain neutral, Member Dean Andal opposed, and Member B. Timothy Gage abstained.